

Livingston Parish Gravity Drainage District Five  
Walker, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-20-05

**LEROY J. CHUSTZ**  
Certified Public Accountant  
A Professional Accounting Corporation

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Annual Financial Statements  
As of and for the Year Ended December 31, 2004  
With Supplemental Information Schedules**

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

**Board Members of  
Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

I have audited the accompanying basic financial statements of the **Livingston Parish Gravity Drainage District Five**, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of **Livingston Parish Gravity Drainage District Five's** management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **Livingston Parish Gravity Drainage District Five**, as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America..

In accordance with *Government Auditing Standards*, I have also issued my report dated June 17, 2005, on my consideration of the **Livingston Parish Gravity Drainage District Five's** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the **Livingston Parish Gravity Drainage District Five's** basic financial statements. The accompanying required supplementary information, Parts I and II, as listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of **Livingston Parish Gravity Drainage District Five**, but are required by the Governmental Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and I express no opinion on it.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the **Livingston Parish Gravity Drainage District Five**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Leroy J. Chustz*  
Certified Public Accountant  
June 17, 2005

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## **Required Supplemental Information (Part 1)**

### **Management's Discussion and Analysis**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2004**

**Introduction**

The Livingston Parish Gravity Drainage District Five is pleased to present its Annual Financial Statements developed in compliance with *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards. This is the second year of presentation under the new GASB 34 format.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements on pages 13 through 19 of this report.

**Financial Highlights**

- At December 31, 2004, the District's assets exceeded its liabilities by \$1,542,092 (net assets). Of this amount, \$1,109,017 (unrestricted net assets) may be used to meet the District's ongoing obligations to its citizens.
- For the year ended December 31, 2004, the District's total net assets increased by \$286,773.
- At December 31, 2004, the District's General Fund reported an ending fund balance of \$1,109,017. This was an increase of \$199,639 for the year.
- At December 31, 2004, the District had cash and cash equivalents of \$1,006,761 which represents an increase of \$242,922 from the prior year.
- At December 31, 2004, the District had capital assets net of accumulated depreciation of \$433,075. This was an increase of \$87,134 from the prior year.
- The District had capital asset purchases of \$151,721 and depreciation expense of \$64,587 for the year ended December 31, 2004.

**Overview of the Annual Financial Report**

The financial statement focus is on both the District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the District's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2004**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets and changes in the components of net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, that are supported by the District's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services.

The District's activities are presented as Governmental activities.

- Governmental activities - The District's basic services are reported here. These activities are financed primarily by sales taxes.

The government-wide financial statements include the Livingston Parish Gravity Drainage District Five of Walker, Louisiana (component unit) only and can be found on pages 13 and 14 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The District uses one category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar.

A governmental fund is used to account for the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Change in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 17 and 19 of this report.

**Notes to the Financial Statements**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2004**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 28 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the District's net assets for the current year as compared to the prior year. For more detailed information, see the Statement of Net Assets on page 13 of this report.

	<u>2004</u>	<u>2003</u>
Assets:		
Current and Other Assets	\$ 1,160,841	\$ 916,963
Capital Assets	433,075	345,941
Total Assets	<u>1,593,916</u>	<u>1,262,904</u>
Liabilities:		
Other Liabilities	51,824	7,586
Total Liabilities	<u>51,824</u>	<u>7,586</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	433,075	345,941
Unrestricted	1,109,017	909,378
Total Net Assets	<u>\$ 1,542,092</u>	<u>\$ 1,255,319</u>

Approximately 72% of the District's net assets is unrestricted and may be used to meet the District's ongoing obligations to its citizens.

Approximately 28% of the District's net assets reflects its investment in capital assets.

At December 31, 2004, the District had cash and cash equivalents of \$1,006,741 and certificates of deposit with maturities greater than three months of \$69,411 for a total of \$1,076,152. This represents approximately 93% of current and other assets.



**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2004**

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities on pages 14 of this report.

	Governmental Activities	
	2004	2003
Revenues:		
General Revenues:		
Sales Tax Revenue	\$ 844,581	\$ 785,401
Interest Income	5,560	4,363
Other	100	5,429
Total Revenues	<u>850,241</u>	<u>795,193</u>
Program Expenses:		
Public Works	<u>563,468</u>	<u>495,350</u>
Total Program Expenses	<u>563,468</u>	<u>495,350</u>
Change in Net Assets	286,773	299,843
Net Assets, Beginning	1,255,319	955,476
Net Assets, Ending	<u>\$ 1,542,092</u>	<u>\$ 1,255,319</u>

The District's total revenues increased by \$55,048 or 7% of the prior year amount due primarily to an increase in sales tax revenue of \$59,180. Total program expenses increased by \$68,118 or 14%.

### **Fund Financial Analysis**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

The General Fund is the only fund of the District. At the end of the current year, the total fund balance for the General Fund was \$1,109,017, all of which was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 170% of total General Fund expenditures, while total fund balance represents 170% of the same amount.

During the current year, the District's General Fund balance increased by \$199,639.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2004**

**General Fund Budgetary Highlights**

The District demonstrated legal compliance by adopting and amending its budget in accordance with provisions of the Local Government Budget Act. As required by state law, actual revenues and other sources were within 5% of budgeted revenues and other sources. Actual expenditures exceeded budgeted expenditures and other uses by 5.55%.

An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results and the reasons for those variations are listed below.

- The original budget for sales tax revenue was increased by \$100,000 due to an increase in sales tax revenue.
- The original budget for capital expenditures was decreased by \$150,000
- Actual capital expenditures exceeded the final budget by \$51,721.

**Capital Asset and Debt Administration**

At December 31, 2004, the District had \$433,075, net of depreciation, invested in capital assets. This amount represents an increase of \$87,134 (net of depreciation).

The following table provides a summary of the District's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 6 to the financial statements on page 27 of this report.

**Capital Assets (Net of Depreciation)  
December 31, 2003 and 2004**

	2004	2003
Land	\$ 17,000	\$ 17,000
Buildings	160,241	92,670
Machinery and Equipment	713,769	649,717
Furniture and Fixtures	12,480	759
Vehicles	62,885	78,040
Computers	1,052	-
Office Equipment	3,361	-
Appliances	2,841	-
Accumulated Depreciation	(540,554)	(492,245)
Capital Assets, Net	<u>\$ 433,075</u>	<u>\$ 345,941</u>

**Major asset additions include the following:**

- Retainage of \$6,630 for building improvements started in 2003.
- \$60,391 for construction of new office building.
- \$52,041 for a John Deere Compact Excavator including a weld on stiff arm.
- \$11,790 for two Honda 4-wheelers.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2004**

- \$944 for two Husky chain saws.
- \$400 for a Robbins weed eater.
- \$2,841 for an ice machine.
- \$4,625 for six ten foot pews for the meeting room.
- \$2,115 for phone system in new office building.
- \$9,943 for other office furniture and equipment including computer equipment of \$1,052.

Major asset deletions include the following:

- \$15,155 for F350 Ford truck sold in the prior year.
- \$956 for two chain saws that were junked.
- \$167 other equipment.

**Economic Factors**

On January 15, 2005, the Parish Council of the Parish of Livingston, State of Louisiana, held an election requesting the authorization for the renewal of the collection for ten (10) years from the date of the first levy of said tax, a tax of one-half of one per cent ( $\frac{1}{2}\%$ ) (the "Tax") upon the sale at retail, the use, the lease or rental, the consumption and storage for use or consumption, of tangible personal property and on sales of services within the Gravity Drainage District Five of the Parish of Livingston for the purpose of acquiring drainage works, equipment and facilities necessary to construct, maintain and operate outlets for the waters of the District, and preventing flooding within said District. The sales tax was renewed and the results were filed with the Secretary of State on March 1, 2005. The sales tax revenue accounts for more than 99% of the District's total revenues.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to the Livingston Parish Gravity Drainage District Five, Post Office Box 328, Walker, LA 70785.

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# **Basic Financial Statements**

## **Government-Wide Financial Statements**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Statement of Net Assets  
December 31, 2004**

**Statement A**

	Governmental Activities
<b>Assets</b>	
Cash & Cash Equivalents	\$ 1,006,761
Certificate of Deposit	69,411
Accrued Interest on Certificate of Deposit	342
Sales Tax Receivable	65,535
Due From I.R.S.	4,128
Prepaid Insurance	13,785
Security Deposits	879
Capital Assets, Net	433,075
Total Assets	<u>1,593,916</u>
<b>Liabilities</b>	
Accounts Payable	<u>51,824</u>
Total Liabilities	<u>51,824</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net	433,075
Unrestricted	<u>1,109,017</u>
Total Net Assets	<u>\$ 1,542,092</u>

See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Statement B**

**Statement of Activities  
For the Year Ended December 31, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Revenue (Expense) and Change in Net Assets</u>
<b>Governmental Activities:</b>			
Public Works	\$ 563,468	\$ -	\$ (563,468)
Total Governmental Activities	<u>\$ 563,468</u>	<u>\$ -</u>	<u>(563,468)</u>
 <b>General Revenues</b>			
Sales Tax Revenue			844,581
Interest			5,560
Other			100
Total General Revenues			<u>850,241</u>
 <b>Change in Net Assets</b>			<u>286,773</u>
<b>Net Assets, Beginning</b>			1,234,310
<b>Prior Period Adjustment (Note 11)</b>			21,009
<b>Net Assets, Restated</b>			<u>1,255,319</u>
 <b>Net Assets, End of Year</b>			 <u><u>\$ 1,542,092</u></u>

See accompanying notes to the financial statements.

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**Basic Financial Statements**  
**Fund Financial Statements**  
**Governmental Fund Financial Statements**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Statement C**

**Balance Sheet  
Governmental Fund  
December 31, 2004**

	<u>General Fund</u>
<b>Assets</b>	
Cash & Cash Equivalents	\$ 1,006,761
Certificate of Deposit	69,411
Accrued Interest on Certificate of Deposit	342
Sales Tax Receivable	65,535
Due From I.R.S.	4,128
Prepaid Insurance	13,785
Security Deposits	879
Total Assets	<u>\$ 1,160,841</u>
<b>Liabilities &amp; Fund Balance</b>	
Liabilities:	
Accounts Payable	\$ 51,824
Total Liabilities	<u>51,824</u>
Fund Balance:	
Unreserved	<u>1,109,017</u>
Total Fund Balance	<u>1,109,017</u>
Total Liabilities & Fund Balance	<u>\$ 1,160,841</u>

See accompanying notes to the financial statements.



**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Statement D**

**Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Assets  
December 31, 2004**

<b>Total Fund Balance, Governmental Fund</b>	<b>\$ 1,109,017</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. These assets consist of:

Capital assets, net of depreciation	433,075
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<b>Net Assets, Governmental Activities</b>	<b>\$ <u>1,542,092</u></b>
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See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Statement of Revenues, Expenditures, and Change in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2004**

**Statement E**

	General Fund
<b>Revenues</b>	\$ 844,581
Sales Tax Revenue	5,560
Interest	100
Other	<u>850,241</u>
Total Revenues	
 <b>Expenditures</b>	
Advertising	1,434
Board Member Per Diem	6,800
Capital Expenditures	151,721
Collection Costs	16,573
Computer Supplies	552
Drug Screening Fees	53
Equipment Rental	90
Fuel	11,985
General Supplies	24,553
Insurance	113,171
Maintenance & Repairs	40,347
Miscellaneous	7
Office Supplies	1,881
Payroll Tax	18,395
Postage	211
Professional	25,424
Salary	218,039
Retirement	4,508
Uniform	6,717
Utilities	7,814
Vehicle	327
Total Expenditures	<u>650,602</u>
 <b>Net Change in Fund Balance</b>	<u>199,639</u>
<b>Fund Balance, Beginning</b>	888,369
<b>Prior Period Adjustment (Note 11)</b>	<u>21,009</u>
<b>Fund Balance, Restated</b>	<u>909,378</u>
 <b>Fund Balance, Ending</b>	<u><u>\$ 1,109,017</u></u>

See accompanying notes to the financial statements.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Statement F**

**Reconciliation of the Change in Fund Balance of the Governmental Fund  
to the Statement of Activities  
For the Year Ended December 31, 2004**

<b>Net Change in Fund Balance, Governmental Fund</b>	<b>\$ 199,639</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital Outlay	151,721
Depreciation Expense	(64,587)

<b>Change in Net Assets, Governmental Activities</b>	<b>\$ <u>286,773</u></b>
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See accompanying notes to the financial statements.

# **Basic Financial Statements**

## **Notes to the Financial Statements**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Introduction**

Livingston Parish Gravity Drainage District Five, Walker, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council), pursuant to the provisions of R.S. 38:1751, et. seq., of the Louisiana Revised Statutes of 1950.

The District is located in Walker, Louisiana. The purpose of the District is to provide maintenance services to drainage structures within the boundaries of the District. The District is composed of five board members who are appointed by the Parish Council of Livingston for four year terms. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves portions of Walker and surrounding areas.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Gravity Drainage District Five is considered a component unit of Livingston Parish Government. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units. The District employs 10 full-time employees in addition to 5 board members.

**1. Summary of Significant Accounting Policies**

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the Livingston Parish Gravity Drainage District Five. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Livingston Parish Gravity Drainage District Five operates with only one governmental fund, the General Fund.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

- The *General Fund* is the District's only operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.*

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Livingston Parish Gravity Drainage District Number Five's investment policy allow the District to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**D. Receivables**

In an election on January 15, 2005 the voters of Gravity Drainage District Five renewed the collection for ten (10) years from the date of the first levy of said tax, a tax of one-half of one per cent ( $\frac{1}{2}\%$ ) (the "Tax") upon the sale at retail, the use, the lease or rental, the consumption and storage for use or consumption, of tangible personal property and on sales of services within the Gravity Drainage District Five of the Parish of Livingston for the purpose of acquiring drainage works, equipment and facilities necessary to construct, maintain and operate outlets for the waters of the District, and preventing flooding within said District. See Footnote 5 on page 26 regarding Receivables.

**E. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The amount of inventory on hand at the District is minimal.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25
Buildings and building improvements	40
Furniture and fixtures	5
Vehicles	5-10
Machinery and Equipment	5-10
Office Equipment	5-10
Appliances	12
Computer Equipment	5

**G. Compensated Absences**

The District has the following policy related to vacation and sick leave:

Vacation is earned from the first day of employment but cannot be taken until after the first year of employment. Full time employees with one to seven years of continuous employment receive ten working days of paid vacation each year. Employees with eight to seventeen years of continuous employment receive fifteen working days of paid vacation each year. Employees with eighteen or more years of continuous service receive twenty working days of paid vacation each year. Employees may carry over one week of accrued vacation time to the following year. However, any vacation will be forfeited if not taken after June 1<sup>st</sup> of the following year. If termination occurs after six months of continuous service, the terminated employee shall receive payment for the unused vacation earned.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

Full time employees with one to three years of continuous service may earn ten days of sick leave per year. Employees with three to ten years of service earn fifteen days of sick leave per year. Employees with ten or more years of service earn twenty days of sick leave per year. Unused sick leave can be accumulated to a maximum of 320 hours.

**H. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**I. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Livingston Parish Gravity Drainage District Five, which are either unusual in nature or infrequent in occurrence.

**J. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**K. Reconciliations of Government-Wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and change in fund balance and the government-wide statement of activities is presented in Statement F of the basic financial statements.

**2. Stewardship, Compliance and Accountability**

The District uses the following budget practices:

1. The District Clerk prepares a proposed budget and submits same to the Chairman and Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another



**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

or involving the increase in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Commissioners.

6. All budgetary appropriations lapse at the end of each fiscal year.
7. A Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

The following fund has expenditures over appropriations, resulting in an unfavorable variance which is in violation of the Local Government Budget Act, for the fiscal year ended December 31, 2004:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 735,310	\$ 616,468	\$ 650,602	\$ (34,134)

The variance in the General Fund is primarily attributable to the cost of capital expenditures which exceeded the amended budget for capital expenditures by \$51,721.

### **3. Cash and Cash Equivalents**

At December 31, 2004, the District has cash and cash equivalents (book balances) totaling \$1,006,761 as follows:

Interest-Bearing Demand Deposits	<u>\$ 1,006,761</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the District has \$669,100 in interest-bearing demand deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$569,100 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

At December 31, 2004, the District has \$352,944 in non-interest-bearing demand deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$252,944 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

### **4. Certificates of Deposit**

At December 31, 2004, the District had a certificate of deposit at a local bank in the amount of \$69,411. The

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

certificate bears interest at 4% and has a maturity of January 12, 2005. The certificate of deposit is not included in cash and cash equivalents at December 31, 2004 because it has a maturity date of more than three months. Any penalty for early withdrawal would not have a material effect on the financial statements.

**5. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities consist of sales taxes, accrued interest and an overpayment of payroll taxes.

In the fund financial statements, material receivables in governmental funds consist of sales taxes and accrued interest. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable. The General Fund receivables at December 31, 2004 consist of the following:

Sales Tax Receivable	\$ 65,535
Accrued Interest on Certificate of Deposit	342
Due From I.R.S. (Overpayment of Payroll Taxes)	4,128
	<u>\$ 70,005</u>

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**6. Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2004 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Total Capital Assets, Not Being Depreciated	17,000	-	-	17,000
Capital Assets, Being Depreciated:				
Building	92,670	67,571	-	160,241
Machinery and Equipment	649,717	65,175	1,123	713,769
Furniture and Fixtures	759	11,721	-	12,480
Vehicles	78,040	-	15,155	62,885
Appliances	-	2,841	-	2,841
Computers	-	1,052	-	1,052
Office Equipment	-	3,361	-	3,361
Total Capital Assets Depreciated	821,186	151,721	16,278	956,629
Less Accumulated Depreciation:				
Building	14,906	2,754	-	17,660
Machinery and Equipment	442,520	56,240	1,123	497,637
Furniture and Fixtures	626	653	-	1,279
Vehicles	34,193	4,616	15,155	23,654
Appliances	-	89	-	89
Computers	-	93	-	93
Office Equipment	-	142	-	142
Total Accumulated Depreciation	492,245	64,587	16,278	540,554
Capital Assets, Being Depreciated, Net	328,941	87,134	-	416,075
Total Capital Assets, Net	\$ 345,941	\$ 87,134	\$ -	\$ 433,075

Depreciation was charged to the governmental function as follows:

Public Works	\$ 64,587
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**7. Pension Plan and Retirement Commitments**

The District employees participate in an IRC 403 (b) Plan administered by American Fund. All full time and part time employees are eligible to participate. The plan will run from April 1 through March 31 of each year. The Board will set the retirement benefits of each year prior to April 1 of each year. For the period of April 1, 2004 through March 31, 2005, the District will contribute a matching contribution up to 10 percent of each employee's annual income. Retirement expense at December 31, 2004 was \$4,508.

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**8. Litigation**

The District is the plaintiff in a lawsuit between Livingston Gravity Drainage District Five and the Palmetto Apartment Complex. A trial date has been scheduled for July 2005.

**9. Risk Management**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employee health and life; and natural disasters. The Board manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchases commercial insurance	None
Injuries to employees (Workers' compensation)	Purchases commercial insurance	None
Physical property loss and natural disasters	Purchases commercial insurance	None
Health and life	Purchases commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Board. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**10. Subsequent Event**

In an election on January 15, 2005 the voters of Gravity Drainage District Five renewed the collection for ten (10) years from the date of the first levy of said tax, a tax of one-half of one per cent ( $\frac{1}{2}\%$ ) (the "Tax") upon the sale at retail, the use, the lease or rental, the consumption and storage for use or consumption, of tangible personal property and on sales of services within the Gravity Drainage District Five of the Parish of Livingston for the purpose of acquiring drainage works, equipment and facilities necessary to construct, maintain and operate outlets for the waters of the District, and preventing flooding within said District.

**11. Prior Period Adjustments**

Prior period adjustments were made to correct the beginning General Fund balance. The adjustments were required for the following:

- To Void a check to Blue Cross dated 5/23/03.
- To adjust payroll liabilities for a 941 payment made in the prior year and coded to insurance expense.
- To record prepaid insurance at 12/31/03.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/31/03	Fund balance, beginning	\$ 888,369
	Prior period adjustments:	
12/31/03	- Void check to Blue Cross dated 5/23/03	3,096
12/31/03	- Adjust payroll liabilities	4,128
12/31/03	- Record prepaid insurance	13,785
12/31/03	Fund Balance, restated	<u>\$ 909,378</u>

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**12. Compensation To Board Members**

Each member of the Board of Commissioners receives a per diem allowance for attending regular or special meetings of the Board, not to exceed 36 meetings in one calendar year. Each board member was paid \$100 per meeting attended in 2004. Per diem paid to board members is as follows:

	<u>Compensation Received</u>
Calvin Comeaux 30883 Burgess Road Denham Springs, LA 70726 (225) 665-8040	\$ 1,300
Jimmy Dunlap 32800 North Walker Road Walker, LA 70785 (225) 665-6964	1,400
Richard Harris 27710 Gaylord Road Walker, LA 70785 (225) 665-6560	1,400
W. Ramsey Huffman 13990 Hartman Lane Walker, LA 70785 (225) 664-2873	1,300
Preston Killcrease 29538 Willow Glen Street Denham Springs, LA 70726 (225) 665-7003	1,400
	<u>\$ 6,800</u>

## **Required Supplemental Information (Part II)**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
General Fund**

**Livingston Parish Gravity Drainage District Five  
Walker, Louisiana**

**Schedule 1**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales Tax Revenue	\$ 750,000	\$ 850,000	\$ 844,581	\$ (5,419)
Interest	5,000	5,500	5,560	60
Other	8,500	-	100	100
Total Revenues	<u>763,500</u>	<u>855,500</u>	<u>850,241</u>	<u>(5,259)</u>
<b>Expenditures</b>				
Advertising	250	900	1,434	(534)
Board Member Per Diem	6,000	6,800	6,800	-
Capital Expenditures	250,000	100,000	151,721	(51,721)
Collection Costs	16,000	17,000	16,573	427
Computer Supplies	350	600	552	48
Drug Screening Fees	200	200	53	147
Equipment Rental	10,000	108	90	18
Fuel	10,000	13,500	11,985	1,515
General Supplies	20,000	25,000	24,553	447
Insurance	100,000	124,000	113,171	10,829
Interest	100	100	-	100
Maintenance & Repairs	38,000	42,500	40,347	2,153
Miscellaneous	10	10	7	3
Office Supplies	700	2,700	1,881	819
Payroll Tax	21,000	17,200	18,395	(1,195)
Postage	200	250	211	39
Professional	30,000	30,000	25,424	4,576
Salary	215,000	216,000	218,039	(2,039)
Retirement	-	3,600	4,508	(908)
Uniform	7,000	7,000	6,717	283
Utilities	9,300	8,000	7,814	186
Vehicle	1,200	1,000	327	673
Total Expenditures	<u>735,310</u>	<u>616,468</u>	<u>650,602</u>	<u>(34,134)</u>
<b>Excess Revenues (Expenditures)</b>	<u>28,190</u>	<u>239,032</u>	<u>199,639</u>	<u>(39,393)</u>
<b>Fund Balance, Beginning</b>	<u>888,369</u>	<u>888,369</u>	<u>888,369</u>	<u>-</u>
<b>Prior Period Adjustment (Note 11)</b>	<u>21,009</u>	<u>21,009</u>	<u>21,009</u>	<u>-</u>
<b>Fund Balance, Restated</b>	<u>909,378</u>	<u>909,378</u>	<u>909,378</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 937,568</u>	<u>\$ 1,148,410</u>	<u>\$ 1,109,017</u>	<u>\$ (39,393)</u>

## **Other Supplemental Information**



**Livingston Parish Gravity Drainage District Five  
Schedule of Findings  
Year Ended December 31, 2004**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Livingston Parish Gravity Drainage District Five.
2. No reportable conditions were disclosed during the audit of the basic financial statements.
3. One instance of noncompliance was disclosed during the audit of the basic financial statements.
4. There were no federal awards received by Gravity Drainage District Five.

**B. FINDINGS--FINANCIAL STATEMENTS AUDIT**

**Compliance and Internal Control**

**2004-1     Local Government Budget Act**

Criteria -

The Local Government Budget Act requires that governments not exceed their budget appropriation unfavorably by more than 5%.

Condition -

The Drainage District's actual expenses exceeded budgeted expenses by 6%.

Effect -

Noncompliance with the Local Government Budget Act.

Recommendation -

The management of the Drainage District should monitor budget to actual variances more closely.

Management Corrective Action Plan -

Management will monitor budget to actual variances monthly and amend the budget as needed.

**Livingston Parish Gravity Drainage District Five  
Status of Prior Year Findings  
For The Year Ended December 31, 2004**

**Internal Control and Compliance Material to the Financial Statements**

Finding 2003-1 Audit Report was not submitted on time

The Drainage District submitted all materials to the audit firm in a timely manner and the audit was completed on time.

**Internal Control and Compliance Material to Federal Awards**

Not applicable.

**Management Letter**

No management letter findings.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board Members of  
Livingston Gravity Drainage District Five  
Walker, Louisiana**

I have audited the basic financial statements of the **Livingston Gravity Drainage District Five**, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2004, and have issued my report thereon dated June 17, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

***Compliance***

As part of obtaining reasonable assurance about whether the **Livingston Gravity Drainage District Five's** basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*. However, I noted other matters involving compliance that I have reported to the management of the Gravity Drainage District Number Five as Finding 2004-1.

***Internal Control Over Financial Reporting***

In planning and performing my audit, I considered the **Livingston Gravity Drainage District Five's** internal control over financial reporting to determine our auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of the **Livingston Gravity Drainage District Five** and its management, the Louisiana Legislative Auditor and, the State of Louisiana, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Leroy J. Chustz***  
Certified Public Accountant, APAC  
June 17, 2005